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HERSHEY

CHOCOLATE CORPORATION

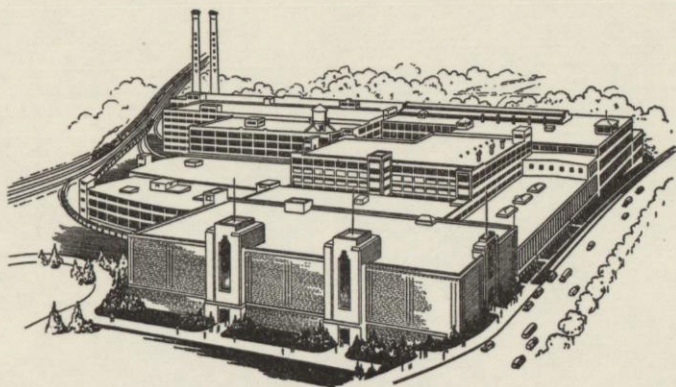
ANNUAL REPORT
DECEMBER 31, 1947

NRB
Corp. F10

HERSHEY

CHOCOLATE CORPORATION

HERSHEY, PENNSYLVANIA



Executive Offices and Manufacturing Plant

BOARD OF DIRECTORS

P. A. STAPLES, *Chairman*

J. J. GALLAGHER

L. W. MAJER

P. N. HERSHEY

W. E. SCHILLER

S. F. HINKLE

D. PAUL WITMER

OFFICERS

P. A. STAPLES, *President*

L. W. MAJER, *Secretary*

W. E. SCHILLER, *Treasurer and Comptroller*

TRANSFER AGENT

CITY BANK FARMERS TRUST COMPANY
NEW YORK

REGISTRAR

GUARANTY TRUST COMPANY
OF NEW YORK

AUDITORS

ARTHUR ANDERSEN & CO.
NEW YORK

*To The Stockholders of
Hershey Chocolate Corporation:*

I take pleasure in submitting herewith the financial statements of Hershey Chocolate Corporation at December 31, 1947, as examined by Messrs. Arthur Andersen & Co.

The balance of net profit transferred to earned surplus, after appropriation of \$6,000,000 to a reserve for future inventory price decline, was \$8,968,494. The net profit for the preceding year was \$8,495,853.

In view of the precipitous rise in the price of our principal raw material, cocoa beans, in which a long position in the form of inventories and future commitments must be maintained to assure continuous production, thereby protecting the interest of employees, customers and stockholders, your Board of Directors deemed it essential to make the above appropriation. The price of cocoa beans increased approximately 70% during 1947, and other raw materials and labor have also risen substantially. Cocoa beans continue in short supply, and the price level at the end of 1947 was approximately five times higher than during the period of governmental price ceilings, and almost seven times the price level immediately prior to the war.

Working capital amounted to \$34,848,908, and current assets were 3.36 times current liabilities. The balance of cash at the close of 1947 exceeded the total of all current liabilities at that date; however, a substantial portion of such cash will be needed for raw material purchases in the near future.

During the year 17,507 Convertible Preference shares and 42,900 Common shares, which had been held in the treasury for many years, were retired since no useful purpose was served in retaining these shares in the treasury.

In September 1947 the Common stock was split on a three-for-one basis in order to make the number of shares outstanding more in keeping with the growth of the Corporation and to create a wider public interest in the Corporation's products. Furthermore, this will provide a broader trading base for the Common Stock making it more attractive to a larger group of investors.

Mr. Wm. F. R. Murrie, Mr. Ezra F. Hershey and Mr. O. E. Bordner, formerly directors and also President, Treasurer, and Comptroller, respectively, have retired after many years of service with the Corporation and its predecessors (Mr. Murrie since 1896, Mr. Ezra F. Hershey since 1900 and Mr. Bordner since 1910).

Mr. J. J. Gallagher, General Sales Manager, Mr. S. F. Hinkle, Plant Manager, and Mr. W. E. Schiller, Treasurer and Comptroller, have been elected to the Board of Directors. Mr. Gallagher has been with the Corporation for thirty-six years and Mr. Hinkle for twenty-three years. Mr. Schiller joined the Corporation on November 1, 1947, and has had many years of experience in financial and accounting matters.

I wish to express my appreciation of the loyalty and effort given by the officers and employees of the Corporation in the continued development and advancement of the business.

Respectfully submitted,

P. A. STAPLES

President

February 14, 1948

HERSHEY CHOCOLATE

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash		\$17,455,498
Accounts receivable, less reserves of \$398,663....		4,539,287
Inventories (lower of average cost or market)....		
Raw materials, goods in process and finished goods	\$27,056,283	
Manufacturing supplies.....	451,772	27,508,055
Prepaid insurance, etc.....		85,638
Total current assets		<u>\$49,588,478</u>

PLANT AND PROPERTY, at cost:

Land	\$ 117,682	
Buildings and improvements	9,354,524	
Machinery and equipment	14,534,080	
Construction in progress.....	456,510	
	<u>\$24,462,796</u>	
Less—Reserves for depreciation	14,677,670	9,785,126
		<u><u>\$59,373,604</u></u>

NOTE: The convertible preference stock of the Corporation is entitled to receive, (if any) before any distribution to the common stock, and to participate with the common share of convertible preference stock to one aliquot share for each share of common stock. The convertible preference stock is entitled to cumulative dividends at the time dividends are declared on the common stock.

ATE CORPORATION

DECEMBER 31, 1947

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities.....	\$ 2,965,415
Dividends payable February 14, 1948 on convertible preference and common stock	1,279,155
Reserve for Federal and State taxes	10,495,000
Total current liabilities	<u>\$14,739,570</u>

RESERVE FOR FUTURE INVENTORY

PRICE DECLINE.....	6,000,000
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CAPITAL STOCK AND SURPLUS:

Convertible preference stock (without par value) (See Note)—

Authorized, 350,000 shares

Issued, 332,493 shares, of which 78,650
have been converted into common
stock; outstanding, 253,843 shares

stated at \$50 per share \$12,692,150

Common stock (without par value)—

Authorized, 3,000,000 shares, of which
761,529 shares are reserved for con-
version of convertible preference stock

Issued and outstanding, 2,057,250 shares 685,750

Earned surplus 25,256,134 38,634,034

\$59,373,604

any distribution of capital assets, \$50 per share and accumulated and unpaid dividends on stock in any distribution of the balance, on the basis of three aliquot shares for each stock, until the convertible preference stock shall have received the further sum of \$50 per of \$4 per share per annum, plus an extra dividend of \$1 per share in any year in which

HERSHEY CHOCOLATE CORPORATION

STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1947

PROFIT AND LOSS

GROSS SALES, LESS DISCOUNTS, RETURNS AND ALLOWANCES		\$120,658,759
COST OF GOODS SOLD, SHIPPING, SELLING, AD- MINISTRATIVE AND GENERAL EXPENSES		96,246,652
Profit from operations		\$ 24,412,107
OTHER INCOME, less miscellaneous deductions		696,387
Profit before provision for income taxes		\$ 25,108,494
PROVISION FOR TAXES ON INCOME:		
Federal income tax	\$ 9,525,000	
Commonwealth of Pennsylvania income tax	615,000	10,140,000
Net profit for the year		\$ 14,968,494
APPROPRIATION TO RESERVE FOR FUTURE INVENTORY PRICE DECLINE		6,000,000
Balance of net profit, transferred to earned surplus		\$ 8,968,494

NOTE: Costs and expenses include provision for depreciation of plant and equipment in the amount of \$643,288.

EARNED SURPLUS

EARNED SURPLUS AT DECEMBER 31, 1946		\$ 23,691,371
BALANCE OF NET PROFIT FOR THE YEAR 1947, transferred from statement of profit and loss....		8,968,494
		\$ 32,659,865
DEDUCT:		
Dividends declared—		
On convertible preference stock (\$5.00 per share)	\$ 1,269,218	
On common stock (equal for the full year to \$1.58 per share on the basis of shares outstanding after stock-split in September, 1947)	3,257,315	
Charge resulting from retirement of con- vertible preference and common treasury stock, representing excess of cost of the treasury shares over the capital repre- sented thereby	2,877,198	7,403,731
EARNED SURPLUS AT DECEMBER 31, 1947		\$ 25,256,134

AUDITORS' CERTIFICATE

*To the Board of Directors,
Hershey Chocolate Corporation:*

We have examined the balance sheet of Hershey Chocolate Corporation (a Delaware corporation) as of December 31, 1947, and the statements of profit and loss and earned surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of profit and loss and earned surplus present fairly the position of Hershey Chocolate Corporation at December 31, 1947 and the results of its operations for the year, and are in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.
February 12, 1948

HERSHEY CHOCOLATE CORPORATION

EXECUTIVE OFFICES AND MANUFACTURING PLANT
HERSHEY, PENNSYLVANIA

WAREHOUSES

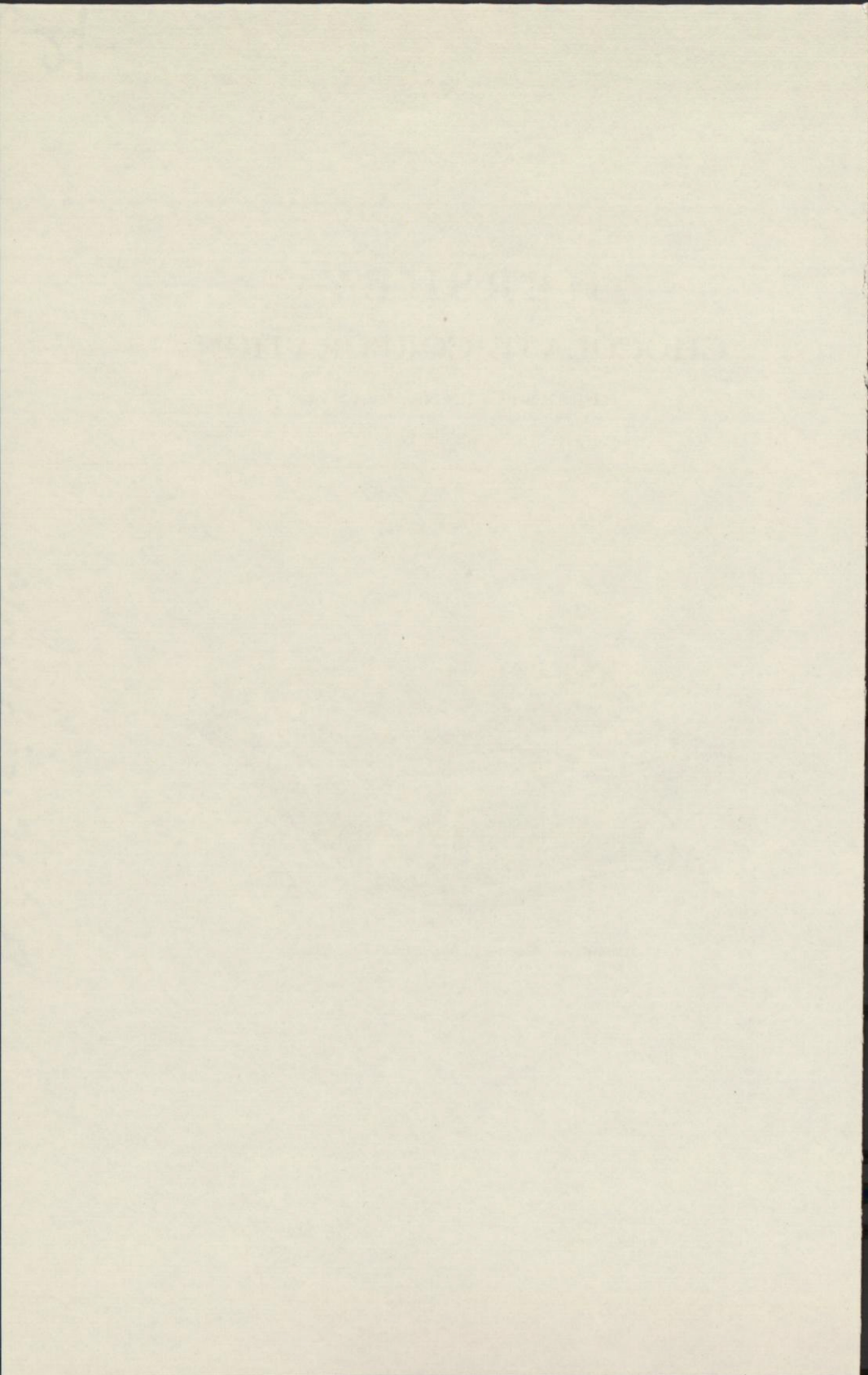
Cambridge, Mass.
Chicago, Ill.
Cincinnati, Ohio
Houston, Texas
Jacksonville, Fla.
Los Angeles, Cal.

Milwaukee, Wis.
New York, N. Y.
Portland, Ore.
St. Louis, Mo.
St. Paul, Minn.
San Francisco, Cal.

Seattle, Wash.

SALES OFFICES

In all principal cities in the United States



HERSHEY'S PRODUCTS

FOR THE CONSUMER

MILK CHOCOLATE BARS

BAKING CHOCOLATE

ALMOND BARS

MILK CHOCOLATE KISSES

BITTERSWEET BARS

BREAKFAST COCOA

MR. GOODBAR

CHOCOLATE SYRUP

DAINTIES

HOT CHOCOLATE POWDER

FOR INDUSTRIAL USERS

(Confectionery, Baking, Ice Cream, and other Industries)

CHOCOLATE COATINGS

COCOA POWDER

UNSWEETENED CHOCOLATE

CHOCOLATE SYRUP

COCOA BUTTER

